

Institutional contradictions at and around the annual general meeting

How institutional logics influence shareholder activism

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Abstract

Purpose – The purpose of this paper is to examine how a shareholder association prepares for and later act at the annual general meeting. It focusses on how the association evaluates corporate proposals to pay dividends and how they vote on equity distributions at the annual general meeting.

Design/methodology/approach – This paper relies on observation of the shareholder association before the annual general meeting as well as at the meeting. The analysis is informed by institutional analysis as a way to make sense of how the association experience tension in the setting of the stock market and how it activates responses to these tensions.

Findings – The shareholder association failed to target companies that comply with an institutionalized view of good ownership despite those companies distributing more equity than the association deems to be in line with sound governance. This the authors understand to result from institutional tensions between a traditional stewardship model of governance and the more recent financial investor logic that emphasizes equity distributions as mean to create shareholder wealth. As good ownership is often equated with long-term committed owners, which makes the association fail to target non-traditional companies that are similar to companies with traditional ownership in terms of dividend ratios.

Research limitations/implications – The paper demonstrates how institutional logics influence micro-level action in offering guidance to individual members. There are two relevant aspects to this. First, it offers guidance in terms of how to identify whether a corporate proposal is in line with the associations' policy. Second, institutional logics influence micro-level action because deviations from it require explanations.

Originality/value – There are so far little qualitative research on how participants in governance mechanism use accounting to take decisions. In this way, the paper adds insight to both investor communities as well as behind the doors of the AGM.

Keywords Institutional theory, Governance, Annual general meetings, Accounting

Paper type Research paper

Introduction

This paper examines the conduct of members of the Swedish Shareholders Association (SSA) before and during the annual general meetings of publicly owned companies during 2008. Investor activism at AGMs has typically been explored with a focus on shareholder proposals made to the AGMs (Gillan and Starks, 2000; Nordén and Strand, 2011). Fewer efforts have been made to do an empirical investigation of how

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shareholders organize themselves prior to an AGM and how they act during the meeting. Such a focus warrants attention for two key reasons. First, even though the AGM constitutes the highest decision-making body of a company, many key decisions are taken before the actual meeting (Catasús and Johed, 2007; Gillan and Starks, 2007; Roberts *et al.*, 2006; Stratling, 2003). Second, organized shareholders are themselves agents of their sponsor's goals. Because of this Roberts *et al.* (2006) argue that future research should focus on how shareholders' actions at the meetings are related to their principals (p. 291).

A central theoretical point that emerges from field research of the company-investor relationship is the importance of understanding investors' motives, as well as their potential economic benefit in holding shares (Hellman, 2005; Hendry *et al.*, 2006; Nordén and Strand, 2011; Roberts *et al.*, 2006; Sikka, 2003). For example, institutional investors may vote at the AGM to signal diligence to their sponsors (Nordén and Strand, 2011). They may submit a proposal to the AGM to put pressure on corporations when early attempts to influence them failed (Gillan and Starks, 2000). Or they may do so to seek compensation as in Sikka's (2003) study, where a group of loosely related shareholders became organized for this purpose (see also Sadler, 2004).

This diversity of motives for activism opens the way for using theoretical pluralism to make sense of the company-investor relationship. One example of the use theoretical pluralism in company-investor studies is Roberts *et al.* (2006), who framed meetings between institutional investors and managers as one part of a field of visibility. In such a field, the merit of the meetings was not primarily to contribute to a market of information but "to advertise the norms of acceptable corporate conduct" (p. 291). During the meetings, investors used their position to influence management's strategic focus and executives defined their mission as delivering shareholder wealth. In fact, the executives emphasized their commitment to shareholder value more than the investors themselves did (p. 291). As such at an AGM companies' and investors' conduct is intelligible with respect to models of governance that represent the "articulated systems of meaning that embody the moral order" (Fiss, 2008, p. 391). Central to our examination of the SSA is how the particular meanings of the Swedish governance model has influenced the way that the SSA voted at the AGM and how they reconciled it with their goal of advancing the interest of minority shareholders. The research question is:

RQ1. How do institutionalized notions of accounting and ownership inform the way the SSA evaluate corporate proposals and then act at AGMs?

In this paper we draw on the work of Seo and Creed (2002) and their argument that actors resisting change often rely on prior institutionalized notions to do it. We use their work to examine how the SSA dealt with changes in the Swedish stock market setting and how their actions were caused by institutional contradictions (e.g. Seo and Creed, 2002). The change occurred in capital market institutional logics with the dominant stewardship logic being replaced by financial investor logic[1]. We use the term stewardship logic to describe the Swedish corporate emphasis on capital preservation. This emphasis had developed because the controlling ownership of major public companies has been unaltered for decades because of differentiated voting powers and a conservative accounting regime that limited equity distribution. Today, public companies are increasingly owned by institutional investors, and the conservative accounting regime that prioritized insiders has been replaced by the International Financial Reporting Standards (IFRS), which makes investors (outsiders) the prioritized

actor. This we refer to as a financial investor logic. This development is an example of institutional upheaval (Colyvas and Jonsson, 2011; Lounsbury, 2001, 2008; Lounsbury *et al.*, 2003; Marquis and Lounsbury, 2007; Schneiberg and Lounsbury, 2008), which influenced how the SSA work and where the SSA continue to rely on stewardship logic.

Our interest in in how the SSA work has two aspects of broader theoretical interest. First, we understand the SSA's reliance on a stewardship logic as a response to an institutional upheaval and demonstrate how a notion of proper ownership influenced how the SSA understood certain accounting measures. We show how the SSA imbued only a limited set of accounting information with institutional meaning. This meaning resonated with a stewardship logic and enabled the SSA to evaluate corporate proposals in a consistent way but also to differentiate their responses to alternative views of the proposals. Our micro focus meets the call from, for example, Powell and Colyvas (2008), to explore the relevance of institutional notions at micro levels by focussing on how the SSA discussed institutionalized notions of Swedish governance as to make sense of changes in and around the stock market (Hallett, 2010). Second, we show how the "dark side" of institutions influenced the SSA's work, that is how the institutionalized meanings of preferred ownership - Swedish and family controlled - involved intolerance to alternative views of how to govern a corporation. Such intolerance obscured alternative interpretations of the financial accounts and at AGMs resulted in certain companies escaping critique from the SSA although their proposals were in conflict with the SSA's policy. However, as we argue, the proposals did comply with notions of proper ownership. In this way, we offer an analysis of how institutional logics, as manifested by certain financial key ratios and ownership characteristics, enable as well as restrict action (Barley and Tolbert, 1997; Seo and Creed, 2002) at the AGM.

In the next section, we describe the SSA and the institutional character of the Swedish capital market. In the section on theory, we describe how institutional theory informs the current study. Then we explain the design of the study and follow with the analysis and discussion and the conclusion discusses the study's contribution and relevance to future research.

Background: the SSA and a stewardship logic of capital preservation

In 2007 about 30 percent of Swedes between 16 and 75 years of age owned shares directly and this rate has been fairly stable since 1990s (Johed, 2007). In 2007 Swedish households owned 13 percent of all shares listed on the Stockholm Stock Exchange, a decline of 5 percent since 1990. During the same period, the percentage of shares controlled by Swedish institutional investors was fairly stable at around 20 percent, whereas foreign institutional investors increased their share from 7.7 to 38 percent of all shares (Nachemson-Ekwall, 2012). One reason for the relatively high proportion of direct shareholding is that during the privatization of companies in the 1990s and 2000s, the government promoted the sale of shares to the general public as a way to increase the number of private shareholders (Johed, 2007). In light of how widespread public shareholding is, Nilsson described Sweden as being "The promised land of shareholding" (Nilsson, 2003). The SSA is evidence of widespread shareholding because at the time of the study it represented about 71,000 members. This means that it represented more members than any other shareholders' association in Europe; only the American equivalent, the American Shareholders Association, had more members (Aktiespararen, 2006).

The SSA is a recurrent actor in the Swedish corporate policy debate. Two examples are their involvement in discussions on the Swedish Code of Conduct (which took effect in 2005) and the revised Swedish Companies Act (which took effect in 2006). Notwithstanding the SSA's policy work, they receive the most public attention for their activities at AGMs. The SSA own shares, typically very few, in all companies listed on the Stockholm Stock Exchange. At the time of the study, the SSA's unit for AGMs included four full-time employees and about 50 volunteers, who attend about 450 AGMs each year.

During AGMs, SSA representatives ask management and members of the boards to account for their efforts. The questions reflect the SSA's goal to protect the interests of shareholders with minor holdings. But as with their involvement in corporate policy debates, the group's representatives also ask about issues which are of no specific concern for minority shareholder. The association is a respected actor because it combines both grassroots activities with policy work at the government level. It is also criticized, not the least by owners of public companies, for supporting old economic power structures in Sweden while dismissing new ownership constellations (Qviberg, 2007). This criticism is not without substance as its code on corporate governance expresses firm belief in long-term ownership of public companies and this mode of ownership is beneficial for minority shareholders (SSA, 2007).

As a shareholder organization, the SSA share characteristics with other activists such as hedge funds or institutional investors as they aim to change the governance and/or the operations of a company (Gillan and Starks, 2007). But they differ in that they seek to secure the interests of the minor shareholders and are actively involved in corporate policy debates. In this way, their activism combines a concern about how public companies should be governed with a broader concern about how to secure the interest of the minor shareholders.

Stewardship logic- a logic of capital preservation

Stewardship logic has dominated Swedish corporate life because of the concentrated ownership of shares. The modern Swedish capital market has long been dominated by two major banks and their respective investment companies. In 1916, the two groups controlled more than 50 percent of the value of the firms listed on the Stockholm Stock Exchange (Collin, 1998). Investor was founded by the Wallenberg-controlled SEB, while Industrivärden was founded by the management-controlled Handelsbanken. As a result of the economic crisis during the 1920s and 1930s, the two banks became majority owners in many of the larger industrial companies. Later, the banks transferred their holdings to their investment companies to maintain control of the industrial companies. Hence, control of the larger companies has traditionally been closely linked to the two major banks (Henrekson and Jacobsson, 2011).

Today, both Industrivärden and Investor remain in control of the major industrial companies, secured by their holdings of shares with differentiated voting rights (Jönsson, 1995). The use of differentiated voting rights is not particular to Sweden, although the magnitude is (Porta *et al.*, 1999). Their use is central to the term "active ownership" that was frequently used during the 1990s and 2000s during efforts to reform Swedish corporate law. Active ownership became the Swedish version of the Anglo-Saxon shareholder primacy theme (Schnyder, 2011). The argument was that, thanks to the differentiated voting rights, block holders would play an active role, which would then be beneficial to both minor shareholders and the economy at large. The law was adopted in 2005, and in his comparative work on governance reforms,

Schnyder (2011) commented that the law was adopted by the parliament “in an astonishing consensus, although the parties were at the time preparing for the general elections of 2006” (p. 12).

Ownership and accounting in Sweden

The particular ownership structure of public companies has influenced Swedish accounting. Prior to the 1980s, the conservative principle was the most important accounting principle and its centrality was enabled by the state. Ownership control has remained unaltered because of a close link between the owners of the investment groups and the Social Democratic Party. One compromise made between the Social Democratic Party, the labor unions, and the owners of the large companies was the restriction on distributing equity (Henrekson and Jacobsson, 2003). This restriction was imposed to protect companies from shareholders that could threaten the companies' long-term survival (Jönsson, 1991; Jönsson and Marton, 1994) and resulted in company growth occurring by re-investment rather than issuing equity (Jönsson and Marton, 1994). In addition, the conservatism innate to Swedish accounting legislation incorporated a view held by owners that a single good year should not be a valid reason for paying dividends and that the profit should instead be kept as reserves (Artsberg, 1996; Artsberg and Nilsson, 1993; Hellman, 2008). Up to 2005, Swedish corporate law retained custodial zeal, which made capital preservation possible.

Germane to capital preservation were the rules for determining dividend payments. They rested on two pillars: the rule of limited amount and the conservative principle. A company's limited amount of equity was defined as the sum of the group's net profit, retained earnings, and free funds. “Limited amount” meant that the dividend paid could not exceed the unrestricted equity of the group (or that of the company). Consequently, the company had to base its dividend decision on a lower sum. Swedish limited companies had to assign a minimum of 10 percent of their net profit to the so-called “reserve fund” (to be used to cover losses in cases where the unrestricted equity was insufficient). Even though the rule of limited amount has been abolished, the recommendation is still that the viability of an equity distribution should be determined based on the former rule.

As in other countries, governance, accounting, and the role of the state have developed together (Fligstein, 1993, 2001; Zeff, 2007) and influenced the notion of what constitutes good economic performance (e.g. Fligstein, 1993). Accounting conservatism resulted in a low degree of comparability between companies (Hellman, 2008; Jönsson and Marton, 1994). That, and the ownership situation, meant the controlling owners have traditionally had a high degree of discretion in the use of company funds, which is typically seen as detrimental to minor shareholders because it complicates evaluation of the company for shareholders without an insider position. Hence, it may be argued that the Swedish version of stewardship logic has resulted in an accounting that did not meet with one of accountings' often stated key aims: to neutralize information asymmetries between controlling shareholders, who are represented on, for example, company boards and so have better access to direct communication with management and shareholders without an insider position (Catasús *et al.*, 2013; Hellman, 2008).

Today the Swedish corporate governance system includes important elements of both stewardship logic and financial investor logic. The stewardship logic is institutionalized in the Swedish stock market setting as it is socially recognized and the values of the stewardship were, and to a certain extent, still are encapsulated in lawful governance practices (Fiss, 2008). At the same time, the adoption of IFRS made it more

difficult for public companies to build hidden reserves (Hellman, 2008). Furthermore, it means the conservative principle is no longer central to Sweden's financial accounting practices as the IASB has decided that conservatism is an undesirable characteristic in high-quality accounting reports (IASB, 2006). In addition, Sweden has adopted the practice of share repurchase, which is usually associated with shareholder value regimes (Kraus and Strömsten, 2012).

The two logics of ownership of public companies, stewardship logic and financial investor logic, have contrasting features. The basic features of a stewardship logic are: owners have a duty of care for the company's long-term survival, shareholder wealth created primarily through investment in operations, and accounting that supports company insiders and a conservative attitude to equity distribution so equity can be used as a buffer. The basic features of financial investor logic are: owners of companies have a duty of care primarily to maximize their sponsors' wealth, accounting should neutralize informational asymmetries between insiders and outsiders, the use of multiple ways of creating shareholder wealth, and the redistribution to owners of equity not currently needed by the company so as to reduce agency costs.

An institutional theory approach to shareholder activism

Institutional theorists have depicted situations in which the one logic replaces another in being dominant as institutional upheaval. In such situations, the actors have to cope with the uncertainty about how to evaluate new practices because they lack appropriate institutional templates (Greenwood and Hinings, 1996; Newman, 2000). Importantly, when established ways of solving a particular issue are gradually challenged, they leave a residue (Colyvas and Jonsson, 2011) that new practices build upon (Modell *et al.*, 2007; Modell and Wiesel, 2008; Reay and Hinings, 2009). Eventually the old and new practices make up what becomes understood as the new practice (Meyer and Rowan, 1977; Schneiberg and Lounsbury, 2008). Writers of institutional analysis have argued that paying attention to such residues as well as to the new practices (Barley and Tolbert, 1997) is essential to the understanding of "human agency in multifarious and fragmented institutional environments" (Seo and Creed, 2002, p. 223).

As noted earlier, the Swedish capital market may be described as being in institutional upheaval because the traditional stewardship logic is being replaced by a financial investor logic and this influences the SSA's work. During our field research, we discovered that the SSA evaluated company proposals by considering both economic performance and ownership characteristics. Often, who owned the company seemed to matter more than the economic performance of the company. What helped us make sense of their work with institutional theory was the way in which their responses to corporate proposals often explicitly or implicitly resonated with a stewardship logic. As a result, we used the framework of Seo and Creed (2002) that was developed with a focus on how marginalized group respond to institutional upheaval. Specifically, Seo and Creed (2002) emphasized that rather than inventing new logics, groups who feel marginalized may rely on prior institutional logics as a way to resist change (p. 236).

Institutional contradictions and praxis

According to Seo and Creed (2002) changes in a field may cause institutional contradictions, which they define as ruptures or as perceived inconsistencies among current meaning systems. Contradictions may reduce the possibility of certain actors

influencing the field; as a result, they will take action to alter the current state (Seo and Creed, 2002). The importance that Seo and Creed (2002) accord to marginalized groups is contrary to the more dominant focus in institutional analysis on change being promoted by dominant actors (Sahlin and Wedlin, 2008). Even though Seo and Creed (2002) are not the only writers on institutional resistance, their work is more useful, than, for example, Oliver's (1991) in theorizing about the current case. This is the case because Seo and Creed (2002) are detailed about when established groups take action to achieve change and which arguments they use.

Research has demonstrated that marginalized actors are sensitive to contradictions and exploit them to achieve change (Oliver, 1991; Sahlin and Wedlin, 2008; Seo and Creed, 2002; Suddaby and Greenwood, 2005). Seo and Creed (2002) proposed that institutional contradictions are inputs to the actual doing of resistance, which they denote as praxis (Burns and Baldvinsdottir, 2005). Below we specify our theoretical argument for how institutional contradictions provide the SSA with an argument for resistance and how their reflection of the current state can be described as a selective understanding of those contradictions, which then influences their praxis[2].

Locked-in preferences of ownership and accounting

One source of institutional contradiction is locked-in preference. Seo and Creed (2002) argue that despite an ongoing change in a field, institutional theory usually understands that an institution creates unresponsiveness to changes in the field. The explanation is that actors resist changes and cling to historical beliefs because the changes challenge their sense of security. Changes may, for example be perceived to be costly because they will disrupt routines that have been taken for granted because of institutionalization. Thus, actors perceive that the benefits arising from what is well known (to them) outweigh the new alternatives, and they resist the change (Meyer, 1983; Meyer and Rowan, 1977).

A locked-in preference for an organizational practice becomes a source of organizational inertia (Greenwood and Hinings, 1996; Newman, 2000; Seo and Creed, 2002). If there is inertia in how one understands a practice, there is also an explanation as to why an actor's guide to decision making remains unchanged despite changes in the context (Lounsbury, 2008). Seo and Creed (2002) suggest that such inertia may be broken when a change in a field results, for example, in an organization realizing it may no longer be able to influence the field and has to change. This view is in line with Barley and Tolbert's (1997) theorization of how changes in an organization trigger the organization to start reflecting about the current state. In Seo and Creed's (2002) discussion, institutional inertia plays an additional role when changes in the organization's context make an organization seek change, namely, that the organization draws on and mobilizes arguments or examples rooted in practices that were solutions to past problems. This argument is strategic in the sense that prior logics feed into praxis by offering an alternative to the competing logic because the prior logic is "sufficiently resonant with some existing societal system of belief to mobilize substantial support and resource from other participants" (p. 236). Such support may come from within the organization and actors outside of organization (Pache and Santos, 2010).

In line with Seo and Creed (2002), one source of tension may be a difference between institutionalized beliefs about the proper ownership structure of public companies and the current characteristics of ownership. Understanding this as a source of tension allowed us to make sense of why, for example, an investor group targets companies that exhibit historically illegitimate characteristics. Another side of this argument,

which is given little coverage by Seo and Creed, is that changes in the field may also create or result in tensions in an actor's beliefs. By this, we mean that if a logic is the result of historical understandings of certain practices, then when actors perceive tensions between logics their understanding of the competing logic may be the result of the power struggle rather than of how well the competing logic summarizes history.

Locked-in preferences both guide and constrain options that collectives pursue (Barley and Tolbert, 1997). This locked-in effect causes what Seo and Creed describe as a selective understanding; they emphasize that actors make use of the available logic, which is different from the competing one, rather than inventing a radically new one. This argument resonates with discussion in institutional theory that adherence to institutions puts those institutions and practices outside of careful consideration (Meyer and Rowan, 1977). Furthermore, during a contextual change that a collective identifies as unwanted, the group seeks to change the unwanted aspects of the change. At the same time, and as a consequence of institutional inertia, those actors do not reflect on their preferred practices. At play in such situations "are cognitive, behavioral, and organizational responses that protect the ego, preventing actors or groups from confronting the limits of current understandings and practices" (Sundaramurthy and Lewis, 2003). We suggest that the SSA idealizes institutionalized understandings of Swedish governance as a way of positioning them as an acceptable alternative to the financial investor logic. This, we argue makes an important impact on their praxis. It fails to target companies that were central actors of a stewardship logic but today use practices associated with a financial investor logic. Conversely, it targets companies that have dispersed ownership but pursue conservative equity distributions. In line with researchers in management accounting (Abrahamsson and Gerdin, 2006), we suggest that the SSA's selective understanding also influences its praxis in regard to financial reports. While the SSA might frame corporate proposals as legitimate or as illegitimate, it might constrain its praxis because of a selective understanding of the stewardship logic, particularly about appropriate ownership.

The study

Our interest in the SSA came from our previous studies of AGMs in which we looked at how shareholders asked management and auditors to account for their efforts. The SSA was a dominant actor and had asked a majority of the questions we recorded. The first step in the research process was semi-structured two-hour interview with Gunnar Ek, then the person responsible for how the SSA carried out its work. The interview covered the SSA's organization around and at an AGM. After learning about our research interest in how they organize themselves prior to AGMs, the SSA granted us access to two events, which the first author attended. The first was a one-day (eight-hour) seminar at the SSA's main office to train public companies about organizing an AGM. The second was a two-day seminar (16 hours) to prepare SSA volunteers for their role at annual meetings. At both events, the person in charge informed the participants about the presence of the author.

One merit of participating in organizational activities is that the researcher can shadow participants (Czarniawska, 2007) and explore institutional change in particular sites (Seo and Creed, 2002). We conducted 20 informal interviews with participants, asking SSA members about the kinds of information to search for in the financial accounts. This was of interest because SSA employees review a company's report prior to the AGM so they can explain the official SSA view and ask questions; the volunteers can also ask additional questions. Overall, we questioned 15 volunteers and spoke to

five company representatives about their view of the AGM as a venue for corporate accountability. The conversations corroborated our identification of the SSA as a proponent of a particular institutional logic, because the same stories of good and bad ownership were told to participants at different sites. In the literature, such a consistent use of examples is assumed to be evidence of a particular logic as understood by a particular group (Suddaby and Greenwood, 2005).

We collected many memos and lecture slides on subjects, such as Swedish corporate law, more than 20 years of statistics about annual meetings, and an internal document written by Gunnar Ek and filled with anecdotes from more than 2,000 AGMs. We used five types of field material for coding: the transcribed interview; the SSA's Corporate Governance Policy (referenced as SSA, 2007); a case developed for the volunteers (referred to as Internal document 1); Ek's internal document on AGMs (referred to as Internal document 2), an internal document on repurchase programs (referred to as Internal document 3). The three documents are listed separately in the appendices, along with examples of our coding.

The documents were first combined into a single text totaling 90 pages. Then, the text was examined for answers to several questions, including: who/what are examples of good (or bad) ownership? What arguments are used by the SSA to support or discourage a particular position? Next, excerpts that answered these questions were summarized in two tentative categories, "heroes" and "villains." Most arguments for a particular position were justified explicitly by reference to what the SSA sensed to be field particularities, such as a conservative attitude toward equity distributions. Sometimes the explanations had to be elicited from the text; one example is in the appendices. It and other examples of bad ownership were often related to specific events or actors in Swedish economic life, such as attempts by financial investors to challenge the dominance of traditional owner groups. Following Czarniawska's (2004) example of treating texts as narratives, it was possible to identify the actors in the excerpts and the interlocutor's explicit arguments as to why the SSA regarded the examples as illustrating sound or unsound practice. By examining the SSA's situational and historical positions, we were able to reconstruct what the SSA considered the important issues in Swedish socioeconomic life, as well as its position on these issues.

For the current study, we observed 31 AGMs during the spring of 2008, which totaled almost 65 hours of observation. This study and the 2004 study gave us field observations from 68 AGMs. At each AGM, we kept a record of investor questions, investor votes, and CEO or board responses to investor questions. Simply relying on the minutes would have weakened our field material because the questions and answers are not found there. In addition, shareholders might raise concern about an issue, but choose not to vote against it, which occurred on several occasions. Because we had met many of the volunteers, we approached them after the meetings and asked for their views. In addition, we occasionally walked with volunteers to AGMs because, most AGMs take place around the same dates and often there are more than one on the same day.

We decided to focus our analysis on one issue, equity distributions. Legally, boards are required to submit a proposal for equity distributions to the AGM and then the shareholders vote at the AGM on whether to approve equity distributions. This procedure provided a consistent platform for observing SSA arguments before an AGM and linking them to SSA decisions at the AGMs (e.g. Lounsbury, 2008). In addition, the subject gave us a useful way to explore our theoretical interest in locked in preferences (e.g. Seo and Creed, 2002) because the evaluation of equity distributions

was very much dependent on how the SSA evaluated the company's ownership. We organized the analysis into four sections. The three first sections were inspired by Seo and Creed's (2002) framework: an analysis of the SSA's collective understanding of the current state, how it mobilizes an alternative to the current state, and action taken to actively change the current state. The fourth section was added to explore how the SSA experienced contradictions in their praxis.

Findings

A collective understanding of long-term ownership

A general concern within the SSA is change in ownership structure with increased ownership by institutional investors and foreign investors, a change that the SSA understands to be inconsistent with a traditional form of ownership. The concern was echoed in interviews, texts, and policy documents and was heavily discussed in the meetings. This indicated that the SSA's focus on the perceived suitable characteristics of owners means it rejects alternative forms of ownership in public companies. This view is evident in its policy text on corporate governance (SSA, 2007, p. 8):

The ownership role has weakened because ownership has come to be understood as, primarily, a financial investment. Despite the fact that capital may be managed for long-term purposes, the investment perspective is short term. Many institutional owners do not take the same responsibility for the companies as individual owners have done traditionally. Pension funds and institutional owners do not regard themselves as being responsible for the part of the company that demands ownership power. The method used when the return on an investment is unsatisfactory is the so-called exit method, implying that one sells one's shares. [...] In Sweden, there is a risk that the far-reaching institutionalization of shareholding, in combination with the internationalization of the capital market, will create a vacuum in corporate control. The weakened role of ownership is a fundamental problem, which could have far-reaching consequences.

The first part of the quotation illustrates a perceived tension between the two types of shareholders and speaks to what is expected from a shareholder. The implication of stewardship is that a company has an associated value beyond that of an investment. In terms of the managers' responsibility, company executives build on the work of earlier generations, and their primary goal is to leave the corpus intact. This implies a duty of care to the company, which is empirically descriptive of how the largest companies are controlled in Swedish corporate life. The second part of the quotation points out another perceived tension, namely, that the SSA senses there has been a change in how public companies are owned.

For the SSA, internationalization and institutional ownership make an impact on how ownership is practiced. The SSA position that a stewardship logic respects tradition and includes a sense of responsibility for the next generation of managers and owners is succinctly summarized in the SSA's policy program: "All shareholders, regardless of their time horizon of investment, have a collective responsibility for the company, not only for their own investment" (SSA, 2007, p. 8). Throughout our fieldwork, we found the SSA emphasized the owner's responsibility for the company. The concept of collective responsibility implies that because shareholders and management may diverge in their motives for running the company, the company is to be understood as a third party to whom both have a mutual responsibility. The company is in a superior position than it would be if the only controlling factor

were an individual owner's goals (Davis *et al.*, 1997). In fact, the SSA disagrees with the idea that controlling owners should automatically have an impact on a company:

In the Swedish system, the major owners have a particular responsibility for electing the board, financial discharge and capital structure. Competence and long-term commitment rather than one's current stake in the company should make the grade for ownership influence. [...] It's by no means certain that a major owner should be a member of the board. Temporary owners need to demonstrate competence before being allowed strategic influence that may have far-reaching effects on the company (SSA, 2007, pp. 8-9).

During the course on how to organize an AGM, the examples of proper governance of public companies included how the companies catered to the concerns of minor shareholders. The seminar leader said that shareholding today is a folk movement and reminded participants that many shareholders combine attendance at AGMs with excursions. Because of this, the SSA commended firms that combined the AGMs with tours of the factory site and product promotions. In one example how company representatives should interact with shareholders the SSA wrote:

Anders Wall, the chairman of the board for Beijer Alma [an investment company], and Gert Karnberger, the chief executive officer for Claes Ohlsson [a retail company], always greet the owners by shaking their hands upon their arrival at the meeting. They are always dressed in perfect suits, with white handkerchiefs in their chest pockets. This is much appreciated (Internal document 2, p. 7).

The examples of good companies and company representatives always involved traditional Swedish companies, controlled by the two traditional ownership spheres or families, and legendary company representatives. A quotation illustrates the SSA's hero-worshipping attitude toward leaders of traditional industrial companies:

During the spring of 1996, ABB, then ASEA, held its AGM in Västerås. The congress hall was full, maybe 1,500 persons. Almost a one hour's speech from Percy Barnevik [then CEO]. He took a global perspective. His speech broadened the shareholder's perspective and deepened their knowledge about the company's operations. After that followed a personal talk between the shareholders and Peter Wallenberg, who reflected on the last 25 years. There were close to standing ovations for the three board members that were leaving the board after almost 20 years of serving the board (Internal document 2, p. 1).

The way in which the SSA made use of the stewardship logics and its descriptions of alternative owners and financial investors to gain support demonstrates a selective understanding. Particular to this case is the way the SSA's stewardship logic affects its actions: It puts a strong focus on company representatives, seen in frequent references to the leaders in codes, internal documents, and training courses. The SSA's stewardship logic treats top managers and boards as mythical figures, viewing them as being in a position superior to that of other shareholders. In terms of praxis, the SSA's critical attitude toward the current situation was seen when the SSA used the altered ownership structure of public companies to point out what this structure may lead to in companies without proper ownership. For the SSA, proper ownership involves long-term commitment and active involvement in governance. How these changes affected the SSA was not, however, straightforward. In the interviews and at the events, the SSA usually pointed out that they foresaw a development in which investors would vote via ombudsmen at the AGM. Proxy voting or voting via ombudsmen goes against the traditional way of voting at the AGM; rather, owners are assumed to be representing themselves. Although proxy voting is loosely connected to

the actual situation of the Swedish capital market, our main impression was that the way the SSA perceived the changes in owners and ownership was what made an impact on their work. Not least, notions of appropriate ownership made an impact on how they evaluated corporate proposals about equity distributions.

Institutional contradictions and praxis: mobilizing arguments against equity distribution

Our findings showed how a selective understanding of stewardship logic constrained the SSA's praxis and how the SSA maintains its stewardship logic at the expense of a financial investor logic. Crucial to its actions was how the SSA understood the link between ownership structure and equity distributions.

In their policy programs, the SSA says that equity distributions should be set and evaluated with respect to the long-term survival of the company. In total, two-related issues arise from this view. The SSA is against companies proposing that the AGM sanction both a repurchase program and a mandate to issue equity. The absolute majority of companies have such a mandate because institutional investors demand it so the company can act flexibly. The SSA's main reason for disagreeing with such a mandate is that it grants too much discretion to the company and major owners at the possible expense of minority shareholders. The SSA also favors conservative equity distributions because if the company needs to issue stock these funds will already have been taxed. In this way, the SSA stresses that the evaluation of an equity distribution needs to go hand in hand with the underlying motives for the equity distribution.

The SSA used Bilia as an example for discussing how they would argue and vote on equity distributions (Internal document 1, case 14). Bilia was a car dealer and had large real estate holdings. At the beginning of the 2000, the present owner transferred the real estate assets into a separate company and distributed them to the shareholders, a move in which Bilia's major owners became controlling owners. The company's management had proposed a repurchase program, and the volunteer's task was to decide whether to support this program. Bilia's management had previously initiated buyback programs, and, in 2003, the company bought back 10 percent of the shares, which were subsequently cancelled. In addition, for the previous three years Bilia had offered generous dividends. The volunteers were presented with this information and told that for the relevant financial year (2007), the board proposed a dividend level that was not covered by earnings.

Initially, the SSA discussed buyback programs as being detrimental to minority owners. Much in line with their policy, they argued that private shareholders would be taxed on capital gains (when the shares were sold). Then if, at a later date, the company asked for new equity, an individual shareholder would need to finance the stock issue with private (already taxed) funds. However, the SSA did not believe that the possible disadvantages of the buyback program were reason enough to vote against the proposal because of other concerns. It also worried that a buyback program conducted in the open market could alter the ownership structure of the company in favor of the majority owners, using the company's own capital to strengthen the majority owners' position. Neither of these concerns sufficed as triggers to act. Instead, the most intense discussion concerned reasons for the repurchase and whether the changes in the financial structures were an appropriate way to create shareholder value in the long term; the concerns are nicely illustrated in a case:

Now the board proposes a new buy-back program and argues that, after their sale of almost all the company's real estate, the company now rents; instead the company is overly

capitalized. That is the justification given when claiming that the wealth should be redistributed to the shareholders. [...] The Hagströmer and Qviberg circle will leave for sure, relinquishing its ownership in Bilia once the company has been drained of its cash; just like with Skanska! [A construction company in which the same people used to be controlling shareholders]. When they leave, they leave behind a company that is weaker and more vulnerable than the company that we used to have (Internal document 1, case 14).

114 In the discussion, the SSA argued that the accounting data signaled opportunism. Dividends were being paid that were not backed by earnings, and a declining ratio of interest coverage ratio indicated that the company would become too financially weak when meeting challenges in the product market. This accounting data specified circumstances that led SSA to further examine the proposal with respect to who had proposed the program. What settled the case were comments from a few senior members. One senior volunteer commented, "The ambition of the company is to survive, and hence the proposal should be seen in conjunction with the company's operations." Furthermore, the volunteer who had attended Bilia's AGMs in recent years concurred that the company was financially too weak to conduct its core business successfully. His view was based on the company having decided to keep a dividend per share of 8 SEK in 2007, which was not covered by earnings (4.45 SEK per share). That volunteer also said that he always clashed with Bilia's management at the AGM, and when he asked them about the payout levels, the chairman dismissed the question by referring "to the workings of the capital market." The volunteer summarized the creed of Bilia's management team in the following way: "If we need money, we ask for it; if we don't need it, we return it." Such a creed, it was agreed, was unacceptable.

Without denying that buybacks may increase the share price, the SSA said that the preferred way to create shareholder value was through investments in the product market, as that speaks well of the manager's competence:

Buying back shares is simple. [...] It is much more labor intensive and demanding to expand a business by, for example, acquiring companies, increasing marketing expenditure, through product development and by making production more efficient. The important question is: Does a board decide to buy back shares because it is less competent and less willing to work hard, or is it because they are averse to risk (Internal document 3, p. 9).

The SSA connected its sense of misaligned interest argument to their own interests in protecting minor investors and safeguarding proper governance in the midst of wider changes of the capital market. The SSA's constant reiteration of the importance of the long-term survival of the company obscured alternative interpretations of the financial accounts. When dividends are not backed by earnings, an alternative approach would be to probe whether decreased or stable earnings indicate managerial setbacks while expanding in the product market. Instead, what became evident was that if the overall goal of the company is its long-term survival, as the SSA argues, the SSA would fail to relate the accounting information from one year to that of previous years, and previous managerial efforts would be placed outside critical examination. Accounting was interpreted with respect to how it could support and provide resources in the future. Further, because institutionalized evaluation criteria included the competence of top management and the company's ownership structure, the stewardship logic rested on an inconsistent trust in the management. One such inconsistency may be extracted from the case discussions about Bilia's buyback program; in this case, the SSA trusted the discretion of the managers in regard to undistributed cash, but did not trust their discretion over buyback programs. Retained earnings and a buyback program are

structurally similar in that both offer room for managerial opportunism, but only the retention of earnings seems to be deemed legitimate in this particular context.

Shareholder
activism

Aiming for collective action - praxis at the AGM

Examples from the AGMs of three companies illustrate the SSA's praxis at the AGMs. One company was Swedish Match, a tobacco company with a heterogeneous ownership structure, which enjoyed what was close to a monopoly in the market for *snus* (snuff) in the Scandinavian markets. Another was TeliaSonera, which is partly state owned and by the time of the study had altered its capital structure to favor debt with subsequent generous equity distributions. The third was Atlas Copco, a traditional industrial company controlled by the Wallenberg family.

Over the five years preceding the AGM, Swedish Match had redistributed large amounts of equity to its owners, predominantly through extensive repurchasing programs. In 2007, the major owner was the London-based Parvus Asset Management, which held 10.3 percent of the equity (SwedishMatch, 2008a). The company's financial reports substantiate an active financial strategy as the ratio of debt to equity was 10.6 in 2007 compared to 4.17 in 2006. Because earnings were fairly stable during this period, the return on shareholder's equity increased to 192 percent in 2007, with 175 percent of the gain attributable to the leverage effect. For the financial year 2007, the board proposed a dividend payout of 896 million SEK (3.5 SEK per share) plus a repurchase program of three billion SEK. The amount of equity that was attributable to the shareholders was 724 million SEK. If the proposed dividends had been paid and the buyback program carried out in 2007, it would have been equivalent to a redistribution of 3.1 billion SEK above the group's equity. Prior to 2006, doing this would have been against the Swedish regulations.

In the board's rationale for the proposed dividend, which was published in conjunction with the repurchase program, the company stated that market valuations of certain subsidiaries brought the market value of the parent company's equity to 22,184 million SEK, where 18,294 million SEK was attributable to market valuations (SwedishMatch, 2008b). The wide discrepancy between the accounted values and the market values was explained by the company, which said it was reasonable to include the figure (18,294 million SEK) for the market value of their brands as to depict the actual difference between the financial accounts and the stock market valuation of the company. Although the use of market valuations of subsidiaries was prohibited according to both IAS/IFRS and the Swedish Accounting Act, the company's equity was 22,184 million SEK at the year end, including a reported income of 17,039 million SEK for 2007. This result was attributable to dividends received from subsidiaries. At the AGM, the SSA's representative protested against the proposal with explicit references to how dividend levels were evaluated historically:

The proposed dividend supersedes the group's equity and, although the rule of limited amount has been abolished, you violate the company's operations when you don't make a comparison with the group's balance sheet. You have not paid attention to the degree of [the group's] consolidation and, what is outrageous is that none of the companies has any liquidity! The only reason that you can suggest this huge dividend is because of a wide range of revaluations (The SSA representative at SwedishMatch, 2008b, AGM, April 22)

The representative concluded by proposing a cut in the dividends and told the management team that they would leave behind a company group in debt. None of the major owners, however, commented on the critique. The answer from the

president and the chief executive officer can be summarized as follows: the auditor has approved the proposal. We can pay our obligations and we are continuing to create shareholder value.

True, the financial structure had changed dramatically and the debt ratios were unusually high. But at the end of 2007, the group's interest coverage ratio was 9, and the net debt in relation to EBITA was 2.5. Furthermore, the return on total capital was around 20 percent in 2006 and 2007 (SwedishMatch, 2008a). The Swedish Match example demonstrates that the dividend decision could be understood differently than the SSA understood it, if the emphasis were on the company being an entity in its own right rather than on the company's assets belonging to the current shareholders. Yet it is a spurious distinction. According to financial investor logic, a dividend decision is related to one notion of control, one of constraining management opportunism, whereas the stewardship logic lacks such a notion of control in making decisions concerning dividends.

Opposition to the current owner's agenda was equally an issue at the AGM of TeliaSonera (March 31, 2008) where we recorded the following conversation:

SSA: Who is pressing for such generous equity distributions?

CEO: We all know that debt is cheaper than equity so why not finance us cheaply?

SSA: But this is an ownership issue; where is the owner that could answer this?

CEO: What is it to answer? We will vote later!

At the time of the AGM, one of the major owners was Cevian, an activist fund disliked by the SSA; its owner and CEO, Christer Gardell, was implicitly referred to in the excerpt above. Two changes had occurred at TeliaSonera that coincided with Cevian becoming an influential owner: The company had increased debt financing in combination with increased equity distributions and Carl Bennet, a traditional industrialist, had left the board. Representatives of the SSA commented on both these events during our interviews and were used as example of how representatives of a financial investor logic operated. The SSA's dislike of Cevian and its CEO is, illustrated by media statements from the SSA such as "[w]hen hedge funds and Gardell team-up then problem arises" (Grundberg Wolodarski, 2007)[3].

Because Cevian had no representatives on the board or present at the AGM, it was a useful scapegoat. The critique against TeliaSonera resonated with the SSA's policy of not allowing temporary owners to have influence before they have demonstrated competence, implicitly meaning they acted in line with the SSA's view of an ideal owner. The SSA did not seem to take into account that the company is partly state owned and has been so since 2001. Despite TeliaSonera's financial accounts being less unusual, in terms of financial structure, than those of Swedish Match, the company attracted criticism from the SSA. In the SSA's view, inappropriate owners make an inappropriate equity decision, which suggests that the SSA generalizes on cases with similarities of ownership.

However, certain companies escaped criticism despite there being little or no difference between their dividend level and those of a company that was critiqued because those companies exhibited ownership characteristics that resonated with the stewardship logic. An example of this occurred during the AGM of Atlas Copco in 2008 (held April 24). At the AGM, the SSA representatives were seated on the front row next to Peter Wallenberg, honorary chairman of Investor, the company that controls Atlas Copco. The proposed dividend was 3 SEK per share, which corresponded to 50 percent of that year's profit. This amount was lower than TeliaSonera's, whose distribution

was 105 percent of this year's profit, but higher than Swedish Match's distribution of 30 percent of current profit (regardless of other equity distributions). However, like the others, Atlas Copco asked for a mandate to repurchase shares. Unlike the other two companies discussed in this section, the company did not specify any impact on equity, but routinely referred to it as way of adjusting capital structure for the benefit of the company's shareholders. While one representative from a mutual fund company asked the board to clarify whether shares acquired as repurchases could be used for existing remuneration, where shares were allocated to company representatives, the SSA did not ask any questions about equity distributions. In fact, after praising the company for being "well governed," the only question asked by the SSA representative was:

SSA: Given that you have superseded your stated profitability aims for the last years is not it time to rework them?

CEO: Reasonable question. We may revise it [profitability aims] when we rework our capital structure.

Both in this example and in the one in which the SSA discussed Bilia's repurchase program, there is evidence that the SSA only relied on a limited set of accounting information. Dividends not backed by earnings make sense because, in this instance, the issue resonates with capital preservation and intergenerational transfer of wealth, and thus financial accounting is an institutional practice (e.g. Miller, 1994). But it is also an institutional practice where characteristics of legitimate ownership override accounting information.

Contradictions in praxis

Perceived familiarity with the members of the company, as in the case of Atlas Copco, compromised the SSA's adherence to a previously worked out template to vote against proposals to issue shares and to buy back shares, resulting in a lack of critique. In this way, generalizations on part of the SSA created inconsistencies in their praxis. Competing logics can be perceived to be inconsistent with the SSA's ideal, and their idealized logic may prevent the SSA from reflecting on the limits of their current understanding. Whereas biases may explain why the SSA compromised with their own ideals, the situated judgment at the AGM may be complicated by their level of involvement in the company and availability of information (Reay and Hinings, 2009). In such situations, institutional templates pointed in conflicting directions.

One telling example of conflicting directions occurred at the AGM of Cybercom, a high-tech consulting firm; the SSA volunteer sat on Cybercom's nomination committee. The company asked for a mandate that would give it the opportunity to both buy back shares and issue new ones. The mandate to issue equity contained no clause that guaranteed participation for existing shareholders, which is a violation of SSA's policy because it may alter the ownership structure in favor of the controlling shareholders. On this occasion, the volunteer argued that it would be good for the company to have such a mandate, saying Cybercom's remuneration program could be diluted as a result of the stock issue. Therefore, in this case, a mandate to buy back shares would represent "a flexible way of securing the remuneration program, without having to call in the owners for an extra AGM" (SSA representative at the AGM of Cybercom March 25, 2008).

We recorded a similar example at the AGM of Poolia (held April 14, 2008). The company asked for a mandate to both repurchase stock and issue new stock, and

the SSA did not protest the proposal. After the AGM we discussed the meeting with the SSA representative. After some time, a journalist writing for the SSA's magazine joined the discussion. The journalist asked why the SSA representative had not protested the company's request for a mandate to repurchase shares and a mandate to issue stock. He pointed out that it was contrary to the SSA's policy. The SSA representative acknowledged that but responded, "I am not comfortable about speaking in public; as well as I believed that there were other more critical things to focus upon."

In some complex situations, the SSA experienced tension with its own template for making decisions. The two SSA volunteers who deviated from the SSA's policy were not only influenced by the SSA's views of ideal ownership but also did not strictly adhere to institutional logics or dismiss competing ones. At the same time, the institutional logic is so powerful that deviations from it prompt explanations. In the case of Cybercom, the SSA representative seemed to seek to forego any critique of his actions, seemingly aware that the shareholders at the AGM knew about his multiple loyalties. After the AGM, when we asked him about his position, he simply reiterated his argument.

Some actions at AGMs suggest that the SSA's praxis depended on their position in the field (e.g. Seo and Creed, 2002). When an SSA representative has more information about a company (as with Cybercom), the SSA finds that its template does not serve. In the case with Cybercom, the critique about the proposal to buy back shares and to issue new ones came from Skandia, an institutional investor group, which at that time lacked any formal influence in Cybercom. That Skandia, which the SSA has criticized on other occasions for being unwilling to be involved in governance work, voted against the company proposal, a position that would be natural for the SSA, meant that some SSA practices cannot be fully rationalized with respect to an institutional logic. We are not suggesting that SSA had abandoned their stewardship view of companies. Instead, we suggest that making an institutional logic practical means that the logic and empirical facts at the site make it possible for the SSA to evaluate and rank different decisions, so members of the organization may understand to what extent a proposal takes them closer to their ideal of ownership.

Discussion

The Swedish capital market may be described as being in institutional upheaval because a traditional stewardship logic is being replaced by a financial investor logic. However, old logics do not disappear (Lounsbury, 2001; Marquis and Lounsbury, 2007; Modell *et al.*, 2007; Modell and Wiesel, 2008). Our case demonstrates that aspects of stewardship logic are still a part of institutional arrangements (differentiated voting rights), personified by certain actors (the two major spheres of ownership), and locked-in technical efficiency (dividends not backed by earnings). This logic is also advocated by the SSA as a foundation for corporate governance.

Prior research has called for the use of theoretical pluralism to examine investor actions and to analyze investors' context (Roberts *et al.*, 2006). This paper relied on Seo and Creed's (2002) work as to make sense of how investors' context influences action. We identified three ways in which the SSA's selective understanding of the stewardship logic enabled their praxis. First, the SSA's view on ownership characteristics and dividends not backed by earnings gave the SSA one institutional template to use to distinguish between proper and improper governance characteristics. Second, the SSA's insistence on conservative equity distributions provided it with an argument that resonated with a familiar and broadly accepted view of governance.

This allowed them to gain public exposure although they lacked the economic resources to influence companies (e.g. Nordén and Strand, 2011; Roberts *et al.* 2006). Its stewardship logic and critique of the financial investor logic allowed the SSA to remind companies of a preferred, and generally accepted, type of governance, during its courses for newly listed companies (e.g. Fiss, 2008). Third, the SSA mobilized their own members and focussed their actions at the AGMs in a relatively consistent way (e.g. Pache and Santos, 2010). This mobilization of the stewardship logic worked as a form of control in that SSA members who deviated from it at AGMs felt a need to explain their deviation.

The empirical description of the SSA and their praxis would fit into Seo and Creed's (2002) argument that praxis is directed to institutional change. Our analysis suggests that "change" in the sense of replacing, or at least severely challenging, a financial investor logic with a stewardship logic was more in the forefront for the SSA when the change had a direct impact on their situation. For example, the SSA perceived the increase practice of proxy voting among institutional shareholders as evidence of a lack of interest in corporate governance among some owners (Seo and Creed, 2002 on *misaligned interest*). The SSA understood this as a break with the stewardship logic and evidence of improper governance; their discontent with this practice resonated with their skepticism about ownerless corporations. At one level, such critique is not particular to the SSA, but echoed in broader corporate policy debates in Sweden. Similar concerns have also been reported in other jurisdictions (see, e.g., Strätling, 2003). The SSA's reliance on a stewardship logic to frame critique against proxy voting was also motivated (or influenced) by concerns about their own position in the field. An increase in proxy voting would mean less representation of owners at the AGM and so possibly less potential for the SSA to present their message at AGMs, the place where it could act and receive attention.

The SSA also used stewardship logic as a way to secure their autonomy to act at the AGM, which is consistent with Seo and Creed's (2002) argument that the number of perceived inconsistencies is positively related to praxis. The SSA perceived the AGM to be the primary site for influencing a corporation's agenda by attracting attention from a wider audience of shareholders. They had moderate expectations about otherwise influencing a company because they lacked ownership power as a result of their small holdings. The perceived importance of the AGM came out during discussion on equity distributions and repurchase programs. One volunteer asked that if they should contact a company in advance of an AGM when they found that aspects of the company's proposal contained aspects that were against SSA policies and detrimental to minor shareholders. The seminar leader responded: "No, the show must go!" That response, and the resulting discussion, suggested to us that, because of their need to act independently, the SSA did not want to help companies by revealing their findings ahead of an AGM. Acting early would not have helped them secure their autonomy or let them attract attention at the AGM. Even though the SSA emphasized that all shareholders have a joint responsibility for the company, the SSA needed the AGM and conflict at the AGM.

Our study of the SSA also suggests it is important to analyze how and, in this case, when SSA volunteers used stewardship logic (internal aspect of praxis). For example, the SSA's autonomy to act at the AGM (Pache and Santos, 2010) was internally managed and upheld by, for example, avoiding asking certain questions about alternative interpretations such as about dividends not backed by earnings. While old logic might be used to reflect on unwanted changes reflections on their own

preferred practices (e.g. dividends not backed by earnings) were discouraged (actively or passively). In other words, if available logics are linked to autonomy then the expectation would be that they would also strengthen the internal support for mobilizing a logic against a competing logic (possibly by reducing potential internal conflict and a search for alternative logics).

Institutional upheavals may create tension in actors' own beliefs and make them act inconsistently with their logic. Throughout our study we observed such inconsistency. For example, the SSA did not vote against the Atlas Copco dividend proposal but did vote against TelieSoneras; on occasion SSA members sanctioned practices that were against SSA policy. The SSA has also historically directed their praxis against traditional owners' sphere when the owners refused to adopt nomination committees because they preferred to recruit new directors directly to their boards. This prompts the question whether their reliance on the stewardship logic was merely strategic. It also raises the question of whether the SSA used stewardship logic as a toolkit they could freely pick and choose, depending on the possible advantages of different actions (as exemplified by proxy voting).

The stewardship logic informed the SSA's policy, discussions, and praxis. We would argue that their support for stewardship logic held true, in particular, for institutional characteristics that are spoken of mainly in stewardship logic: ownership that emphasizes intergenerational transfer of wealth and conservative accounting practices. Those fundamental characteristics of the logic offered the SSA relevant institutional templates and reinforced and reinterpreted financial investor logic as being less preferred (e.g. Colyvas and Jonsson, 2011). But the SSA's inconsistent action seemed also related to the two logics sharing some characteristics: support for shareholder value and free markets. Another reason for their inconsistency is that traditional companies are increasingly making use of practices such as repurchase programs, which are or perhaps was associated with a financial investor logic. In such situations, the institutional templates derived from a stewardship logic did not create meaningful distinctions between which companies and practices to target and which not to target. One volunteer explained that he did not protest when public companies asked for a mandate to repurchase equity as well as to issue equity because "We cannot always protest about that because we would then look like a bunch of Don Quixotes." Isomorphism among public companies made it difficult for the SSA to distinguish meaningfully between proper and improper governance based simply on the practices that companies have adopted. In those cases, known owner spheres provided them with certainty and the stewardship logic became a substitute for reflecting about a particular case.

Another source of inconsistency was representatives from the SSA also being part of governance structures such as nomination committees; this made the representatives reluctant to critique equity distributions the SSA would have criticized in other settings. Depending on its own position, the SSA would understand similar accounting metrics and accounting practices in different ways (Reay and Hinings, 2009), which is in line with Seo and Creed's (2002) supposition. The findings suggest that the SSA's reliance and overemphasis on one logic constrained praxis in the sense that it created certainty about non-preferred alternatives but less certainty about the precise identity of the stewardship logic. For the SSA, the stewardship logic was generally able to inform their praxis but not necessarily precise enough to use to identify basic features of the stewardship logic among non-traditional companies or features of the financial investor logic among traditional companies.

Conclusion and future research

At a general level, the study points to the need for using theoretical pluralism to make sense of shareholder activism. In this case, institutional theory offered a sensitizing lens because of how historical notions of ownership and performance informed interventions. Fiss (2008) suggested that institutional theory could be a fruitful way of making sense of how governance is both embodied and locally upheld and of how it influences current governance issues. That argument is different from that of, for example, Nordén and Strand (2011) who distinguished between shareholder interventions as being informed by agency theory to describe interventions aimed at corporate control or by institutional theory to make sense of shareholder activism directed to mere window dressing (i.e. without proper attempt to exert corporate control). The risk with such conceptualization is that we lose details about respondents' motives for inconsistencies between policy and practice (e.g. Roberts *et al.*, 2006). To the extent that institutional theory can help make sense of future studies of shareholder activism and governance, researchers need to clarify what aspect of accounting is institutionalized as part of a logic and how and in what way it enables (constrains) action, inside an organization and/or in its direct interventions. For researchers, this is an important clarification. While we often assume that accounting is institutionalized, failing to explain which part of accounting is institutionalized and how it is institutionalized risks confusing "institutionalized" with what is simply "ubiquitous" (Colyvas and Jonsson, 2011). As a result, we believe that our micro-level study about accounting institutions - forming part of corporate governance can be of value for future research informed by institutional analysis.

As a final point, studies of shareholder activism and investors have demonstrated that encounters between a company and the investors may be influenced by motives ranging from setting the corporate agenda (Roberts *et al.*, 2006) to eliciting company-specific information (Hellman, 2005) and from restructuring a corporation (Gillan and Starks, 2000) to small shareholders seeking compensation from an audit firm (Sikka, 2003). One possible way of furthering studies of shareholder activists is to analyze activism in a longitudinally way with a focus on how notions of economic performance change. Fligstein (1993), for example, demonstrated how notions of corporate performance and proper governance structures vary over time and are often explained by changes in institutional arrangements. If such notions are not static and are still recognizable by shareholder activists and companies, accounting research could then examine how such notions are mobilized and for what reasons. One could imagine a garbage can model in which shareholder activists, be they loosely organized or not, come together and promote various notions of economic performance. Such studies would then be of general interest in understanding how activists mobilize seemingly given notions of "shareholder wealth" and "strong corporate governance" in varied ways and for various purposes.

The financial crisis and widespread shift to standardized corporate practices should provide a rich context for studies of how various and local notions of governance and economic performance are used and influenced in an effort to influence corporate control. The adoption by many countries of the IFRS, in combination with increased harmonization of governance practices, makes it likely that investor groups, policy makers or companies will use national accounting and governance mechanisms as examples of practices they prefer over the newly adopted practices. Combining micro-level studies with macro-oriented analysis is likely to produce insights to such upheavals and further research about accounting as an institutional practice (e.g. Miller, 1994).

Notes

1. The character of stewardship logic and financial investor logic is developed and differentiated further in the next section.
2. The heading – locked in preferences – is not the original ones used by Seo and Creed (2002). We have altered it for reasons of simplicity. It is important to note that the work of Seo and Creed is not a coherent model. In numerous passages, they emphasize that it is a way to depict various sources of institutional contradictions and how they may influence resistance. In addition, they also point out that sources of institutional contradictions may blend because the three stages of praxis are not discrete (p. 232).
3. Cevian has worked and is still working together with Carl Ichan, well-known US investor who has a long track record of being involved in corporate control (Gillan and Starks, 2000). Their partnership has been discussed in several interviews with Cevian representatives. For example, in *Fokus* (a Swedish weekly magazine) September 27, 2013. Noteworthy is that the title of that article is “Styckmästaren (The Butcher). <http://www.fokus.se/2013/09/styckmastaren-2/> (accessed January 17, 2014).

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Appendix. Observations and documentary sources

Events

Interview with Gunnar Ek, SSA – 16 January 2008.

Training event for public companies, one-day event, January 30, 2008.

Training event for SSA volunteers, two-day event, 1-2 February 2008.

Annual general meetings referred to in the text

Atlas Copco, 2008-04-24

Cybercom, 2008-03-25

Poolia, 2008-04-14

Swedish Match, 2008-04-22

TeliaSonera, 2008-03-31

Internal documents retrieved and used in the study

Internal document 1 - A case consisting of 14 questions was discussed at the training event for SSA volunteers, 1-2 February, Internal document.

Internal document 2 - The art of organizing an annual general meeting (Konsten att ordna en bolagstämma). Undated. Internal document – SSA/Gunnar Ek.

Internal document 3 - Repurchase of shares (Återköp av aktier). Undated. Internal document – SSA.

Template for coding archival material

Original text excerpt

Typically 1–20% of the owners visit annual general meetings, typically < 5%. Sometimes members of the board who see the meeting as something necessary but meaningless, ask the question why do something for a minority. I think it is important to remember the former CEO of SKF Mauritz Sahlin's words: "As a member of the board one has to remember who owns the company, it is *not* the board, it is the owners and it is the owners that the board should serve (Internal document 2, p. 24).

"Heroes"

Actor - Mauritz Sahlin (legendary CEO of SKF)

Company - SKF producer of bearings and lubricants solutions, founded 1907

AGM - as an event for the shareholders

In common for this and similar excerpts were their emphasis on the AGMs as the main event for minority shareholder to evaluate the company; the companies used as examples were traditional Swedish companies. Mauritz Sahlin was used as a good example in the interview, at courses and at one AGM:

With ownership comes responsibility. The ownership can never been seen as an exclusive right. Equally the owner's responsibility is of corresponding significance. All shareholders, regardless of time aspect of its holding, have a collective responsibility for the company, not only for its own investment. [...] Instead of his current stake in the company, it is an owner's competence and long-term commitment that should qualify him/her for influencing the company's board and nomination committee (SSA, 2007, pp.7-8).

View of the shareholder: owner, ideally long-term commitment with responsibility for the company and other shareholders. Emphasis on what is beneficial for the company as such rather who is currently the dominating shareholders.

View of the company: as something more than a mere investment. Emphasis on capital preservation.

We recorded excerpts ranging from 15 sentences to three pages, which excerpts emphasized long-term commitment and collective responsibility for the company. Again, companies used as good examples were traditional ones such as Atlas Copco, controlled by the Wallenberg family, or the ABB, also controlled by the Wallenberg family.

Between 1998-2000, ABB repurchased shares for a value of 1.192 Million USD and 2001 the amount 1.615 Million USD, after that the shares had to be sold in the market for 282 Million USD. Thereafter the share price plunged; in the meantime the ABB group reported enormous losses. The repurchased shares could not be resold in the market other than by a fraction of its' original price. ABB were forced to issue an enormous share issue to avoid bankruptcy (Internal document 3, p. 7).

"Villain"

Actor – Martin Ebner (criticized investor). Ebner is not explicitly mentioned in the text.

Company – ABB, the result of a merger between a traditional Swedish company ASEA and Swiss company Bover.

We recorded similar examples of the threats with repurchase programs. The examples of threats spelled out the negative long-term consequences a program might have for the company's operations when too much emphasis is placed on creating shareholder wealth by altering the financing of the company. In this case, the repurchase programs in combination operational problems resulted in solidity for ABB of 4 percent and a subsequent share issue. While the documents list advantages of repurchase programs (flexible way of adjusting capital structure), they do not discuss them in either positive or negative terms. But, in the examples of companies that had used repurchases, the document was explicitly negative. Moreover, this particular example was discussed in the training events where Martin Ebner was explicitly referred to. The example with ABB's program was an early example where a foreign investor (Swiss) challenged a traditional ownership group (the Wallenberg family) and pursue shareholder wealth via repurchase programs rather than investments in operations.

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